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SUBJECT: PORTUGUESE RESPONSE TO WTO DOHA ROUND DEMARCHE

REF: SECSTATE 104561

**¶1.** (U) Summary: On June 26, Pol/Econ DepCouns delivered reftel demarche to MFA EU External Relations Division Head Cristina Vasconcellos and Ministry of Economy Acting DG for Enterprise Alice Rodrigues. Each reiterated well-known EU positions, with Vasconcellos underscoring the need for simultaneous agreements in agriculture, NAMA and services and Rodrigues urging greater cuts in US domestic supports in return for EU concessions on tariffs. Both Vasconcellos and Rodrigues were very aware of the July 2007 expiration of the Trade Promotion Authority and how difficult it would be to amend US law to accommodate a DDA agreement after 2006. End Summary.

**¶2.** (U) MFA EU External Relations Division Head Cristina Vasconcellos disagreed with the US focus on the EU to grant agricultural concessions first and commented that instead the US needed to focus its attention on pressuring the G20 to make concessions on NAMA and services. She underscored that the US and the EU had similar positions in these two areas and that the EU would only be able to make agricultural concessions if agreements in all three areas were concluded at the same time.

**¶3.** (U) Ministry of Economy Acting DG for Enterprise Alice Rodrigues inquired if the US was open to greater cuts in domestic agricultural subsidies, underscoring that greater subsidy cuts would be necessary for the EU to grant larger cuts in agricultural tariffs. DepCouns responded that the US offer was not a "take it or leave it" offer and that the US was open to further negotiations if the EU offered a counterproposal to warrant further movement, which it had not yet done. Neither DepCouns nor Rodrigues could provide specifics on US or EU latitude, with Rodrigues commenting that politics would now determine the way forward.

**¶4.** (U) In a separate June 26 article in the Economic Daily, Ministry of Economy Director General for Enterprise Helder Oliveira noted that although the US-EU agricultural debate underway did not directly affect Portuguese agriculture, France's intransigence could benefit Portugal by extracting greater concessions for NAMA and services, two areas of high importance to the Portuguese economy. He reiterated the need for simultaneous agreement in all three areas - agriculture, NAMA and services, noting that if the EU ceded its agricultural dossier without the guarantee of equal measures in NAMA and services, the EU would lose all its leverage. In contrast to Vasconcellos and Rodrigues, s acute awareness of the Trade Promotion Authority's expiration in July 2007 and the wall the US would hit if negotiations were not concluded by the end of 2006, Oliveira underscored that the DDA should not be subject to time pressure. "Although elections in October in Brazil, in November in the U.S. and in France in 2007 make the negotiation scenario more difficult," Oliveira

is quoted as saying, "a good deal of judgment is required not to let the calendar dictate our agreement."

15. (SBU) Comment: Vasconcellos and Rodrigues were very attentive during our discussions and promised to consider reftel points in formulating Portugal's position for the June 29 Council of Minister's meeting in Geneva. They clearly appreciated the weight the June 23 Senate letter to President Bush calling for "a good result for U.S. agriculture" carried. However, they noted that the EU faced similar political pressures in dealing with the 25 member states. In contrast to Oliveira's hard line expressed in the June 26 press article, both Vasconcellos and Rodrigues appeared eager to find a way to move the negotiations forward although it is unlikely that Portugal will stick its neck out on any particular issue. Rodrigues will accompany Ministry of Economy State Secretary for Trade, Services and Consumer Defense Fernando Serrasqueiro to the June 29 meeting. MFA State Secretary for European Affairs Fernando Neves will also be attending.

Hoffman